Break-even Price . . .

is defined as the price of an item that will cover all the cost of the food service operation, including food, labor, supplies, purchased services, and equipment replacement. A la carte pricing for a food item is determined by multiplying the total cost of the product (food, condiments, serving container, and needed eating utensils) times the "WORKING COST FACTOR" (Item C. below). To establish the SELLING PRICE, add the "BREAK-EVEN PRICE" (Item D. below) to the MARGIN. (This is the amount of profit added by a school district to build sufficient revenue for program improvement, equipment replacement, and to help keep reimbursable meal prices low). As each school's break-even price could differ, adjust the price to be consistent with school district philosophy and the competition.

Objective:

Ala carte price = Break-even Price + Margin

Procedure: Needed - Management Report (MR)
Suggest using - May/June of previous year, as this will take into account all costs and revenues for an entire school year. Look under EXPENDITURES for A & B.

A. **Total Expend Meals* (Current Year-to-date total) = $ _____
MR-40, fourth column

B. **Total Direct Costs* (Current Year-to-date total) = $ _____
MR-40, fourth column

C. Food cost as a percent of total cost = $\frac{A}{B}$ = $ _____
(Divide A by B) *(Working Cost Factor)*

D. Projected total cost = $\frac{\text{Item Cost (food + supply)}}{\text{Working Cost Factor (C)}}$ = $ _____
(Divide Total Cost by Working Cost Factor) *(Break-even Price)*

Example:

Item	Cost
Hamburger patty	$ .287
Sliced cheese	.102
Round bun	.069
Catsup packet	.015
Pickle chips	.021
Plate or wrap	.006
Napkin	.002
	$ .502 Cost of food and supplies for one sandwich

Item Cost (Food + Supply)	÷	Working Cost Factor	=	Break-even Price	+	Margin	=	SELLING PRICE
School "A" $ .502		.5551		$ .904		.096		$1.00
School "B" $ .502		.4528		$ 1.109		.091		$1.20